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First Quarter of HQB Quota Fills With Six Weeks To Go

Report Categories:

Livestock and Products

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Report Highlights:

As interest of EU beef traders for importing beef into the EU's High Quality Beef (HQB) quota is still increasing, competition between importers is intensifying. This has led to the first quarter allotment of the HQB filling at the earliest date since the HQB was installed. This quota year, quarter one allotment was virtually filled by August 20, with six weeks to go before the next quarter opens on October 1.

The intensified competition is partly explained by the upcoming decrease in the quarterly HQB volume from 12,050 MT to 11,250 MT as a result of the withdrawal of the Canadian 3,200 MT annual HQB share upon the planned implementation of the EU-Canada free-trade agreement CETA on September 21, 2017.

General Information:*HQB Update*

On August 23, 2017, the European Union (EU) online customs database reported that the High Quality Beef (HQB) quota still had room for 18.875 MT of beef imports, while 2.884 MT was awaiting allocation. With only 16 MT still open the HQB is virtually full, six weeks before the end of this first quarter of the 2017/18 quota year. There is concern that a large amount of beef will have to be temporarily stored again before the next quarter opens on October 1. The competition between importers will only become tenser as a result of the impact of the implementation of the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada.

HQB Reduction as a Result of CETA Implementation

Canada and the EU plan to implement CETA on September 21. Under CETA, Canada's share of the EU HQB quota – which is 3,200 MT of the 48,200 annual total and results from Canada's Memorandum of Understanding (MOU) with the EU on hormone beef – will be allocated specifically to Canada. As a result, the “erga omnes” (open to all) HQB quota will be reduced from 48,200 MT to 45,000 MT for other eligible suppliers, including the United States, Australia, Uruguay, New Zealand and Argentina. Because CETA is being implemented near the end of the first quarter of the current HQB quota year, this reduction will begin in the second quarter (October 1-December 31) of the quota year and will be adjusted to reflect the September 21 implementation date.

As the EU has yet to publish the change to the HQB quota, the expectation is that the quarterly HQB allocation for the October-December quarter will be reduced from 12,050 MT to 11,161 MT. In the final two quarters of the quota year, the allocation will be 11,250 MT per quarter. With these reductions, for the quota year 2017/18, ending June 30, 2018, the quota will total 45,711 MT. The HQB will be adjusted to 45,000 MT (or 11,250 MT per quarter) in the following quota year. The reduction in the allocation of approximately 889 MT in the second quarter, taking effect in October, and 800 MT in following quarters will put further pressure on the quota as the reduction equates to about 3.5 days' worth of imports per quarter.